

FISCAL NOTE

Bill #: HB0778 **Title:** Montana Public Power Authority
Primary Sponsor: Musgrove, J **Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
State Special Revenue	\$0	\$327,837
Revenue:		
General Fund	\$0	(\$350,000)
State Special Revenue	\$0	\$350,000
Net Impact on General Fund Balance:	\$0	(\$350,000)

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|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Natural Resources and Conservation (DNRC)

1. It is assumed the Montana Public Power Commission will not take office until January 1, 2007, after a general election in November 2006.
2. It is assumed there are no costs of the Montana Public Power Commission until January 1, 2007, as that is when there are revenues to the state special revenue account created under Section 7.
3. The costs of the commission are assumed to be covered by the state special revenue account created under Section 7.
4. It is assumed staff support will not be needed until January 1, 2007 once the commissioners are in office.
5. Staff support from the department would require 8.00 additional FTE including: 1.00 FTE attorney, 2.00 FTE resource program specialists; 1.00 FTE accountant; 1.00 FTE economist; 2.00 FTE engineers; and 1.00 FTE administrative assistant. Personal services costs include salaries and benefits. Because the staff would not begin work in support of this legislation until January 2007, the FTE are calculated to be 4.00 in fiscal 2007 and would increase to 8.00 FTE for a full year.
6. Operating expenses for general administration and staff support are estimated at 22 percent of personal service costs based on Water Resources Division regional offices' historical ratios. FY 2007 also includes \$1,703 per FTE for an office package and \$1,273 for a compute, which would be one-time-only costs.

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7. If the commission determines to proceed toward acquiring a facility, additional staff may be required. It is assumed that the commission will require legal and technical expertise either on staff or retained by contract.
8. Substantial legal costs are likely to be incurred, but are not estimated in this fiscal analysis.
9. No assumptions on the amount of revenue that may be received are made at this time.
10. Section 7(3)(b) states the Montana Public Power Commissioner special revenue account will “supplement”, to the extent possible, the commissioner’s other financial offers, incentive, and endeavors. It is not possible to estimate what the cost to the general fund would be for the remaining costs not covered by the state special revenue account.

Department of Revenue (DOR)

11. Acquiring hydroelectric facilities for public administration of the facilities encompasses a variety of revenue and expenditure implications, including:
 - a. The facilities would no longer be private property subject to property tax; hence, property tax revenues associated with these facilities would no longer accrue to the state and local governments;
 - b. Operation of the facilities by the state would result in revenues to the state commensurate with the amount of public energy sold at the rates at which that energy would be sold;
 - c. Revenues from public operation of the hydroelectric facilities would be used, in part, to reimburse local governments for any property tax revenue reductions associated with the purchase of the facilities; and
 - d. The commission would incur expenses associated with entering into contracts to manage and operate the facilities, and to provide marketing and other services.
12. The net impact of the activities described in Assumption 11 would depend on which facilities are purchased, the value of the facilities for tax purposes at the time the facilities are purchased, the financing terms including interest rates associated with the purchase of the facilities, the revenue that would be generated from operating the facilities, etc. This fiscal note does not contemplate the estimated future net impact from these activities.
13. Section 7 of the bill provides for a Montana Public Power Commission state special revenue account. Section 17 of the bill amends 15-72-106, MCA, to provide that beginning January 1, 2007 an amount sufficient to fund the activities of the Montana Public Power Commission, but not to exceed \$350,000 each year, from the wholesale energy transaction tax be deposited into the state special revenue account. It is assumed that \$350,000 of wholesale energy transactions tax would be deposited in the account in each fiscal year beginning with FY 2007, reducing revenues to the state general fund by a like amount.
14. There are no administrative impacts on the DOR from this bill.

FISCAL IMPACT:

Department of Natural Resources and Conservation (DNRC)

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	0.00	4.00
<u>Expenditures:</u>		
Personal Services	\$0	\$249,204
Operating Expenses	<u>\$0</u>	<u>\$78,633</u>
TOTAL	\$0	\$327,837

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Funding of Expenditures:

State Special Revenue (02)	\$0	\$327,837
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Department of Revenue (DOR)

Revenues:

General Fund (01)	\$0	(\$350,000)
State Special Revenue (02)	\$0	\$350,000

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	(\$350,000)
State Special Revenue (02)	\$0	\$22,163

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Department of Revenue (DOR)

To the extent that in future years hydroelectric facilities would be removed from the property tax base under this bill, local governments would be reimbursed for any loss in property tax revenue from proceeds from the sale of energy made by the state.

LONG-RANGE IMPACTS:

Department of Natural Resources and Conservation (DNRC)

1. In fiscal 2008, the number of FTE would increase to 8.00, as it would be the first full year of operation of the commission.
2. As facilities are acquired, there is the potential that additional staff will need to be hired.

TECHNICAL NOTES:

1. Section 6 states each person employed by a hydroelectric facility acquired by the State of Montana is entitled to all rights that the person possessed as an employee before ownership of the facility was transferred to the state. If a right is defined to include compensation and benefits, the state may be acquiring FTE that are compensated differently than other state employees. In addition, it is not stated how long this section would apply.